University of Alaska Anchorage Equity Distribution Policy

1. Overview

1.a Seawolf Holdings, LLC, a wholly owned subsidiary of UAA, may accept equity in a company on behalf of UAA as partial or full consideration for technology licensing-related transactions as negotiated by the Vice Provost for Research and Graduate Studies (VPRGS), whether or not license fees or royalties are paid to UAA as part of a negotiated agreement. A typical circumstance under which Seawolf Holdings might receive equity might involve an agreement licensing a University-developed innovation to a UAA start-up company or a developing business venture. Another example might occur when an employee of UAA utilizes the expertise and/or innovation he or she has developed in the course of UAA employment and assists a business venture in the commercialization of an idea. (A business venture includes corporations, partnerships, or other commercial enterprises.)

1.b The VPRGS is the authorized negotiating representative of the University for any University invention. Accordingly, no University inventor shall represent or purport to represent the University in negotiations regarding any license with a licensee including a licensee company as to which that inventor is a Founder. For purposes of this policy, Founder is defined in 2.B.

1.c On occasion, the University and its employees will own separate equity interests in a business venture. In such circumstances, the employee's equity interest is independent of the University's equity interest and is not held, managed, disposed of, or distributed by the University. An example would be a case in which the University receives an equity interest in a business venture as a result of licensing certain innovations developed by one of its employees and in which the same employee also owns an equity interest as a result of being a Founder/Co-Founder of the business venture receiving the license. In this example, the employee's equity interest is not held or managed by the University but rather by the employee. Furthermore, the employee's status as a Founder/Co-Founder having an ownership stake in the business venture renders the employee ineligible to receive a Distribution of a portion of the University-owned equity interest or the proceeds from sale of such.

1.d The formation of a UAA start-up is done through the Office of Research and Graduate Studies at UAA. Seawolf Holdings holds equity for the benefit of UAA. Employees of UAA are permitted to own equity in UAA start-up companies subject to approval and execution of a Best Interests Finding and a Conflict of Interest Management Plan. Furthermore, when the initial Founder(s)/Co-Founder(s) (as defined in Section 2.B) is an employee of UAA, they are entitled to receive an initial equity position in the start-up company. If a Founder/Co-Founder is also an inventor on the patent that is licensed by the University to the startup, they are not eligible to receive a Distribution of a portion of the University-owned equity interest or the proceeds from sale of such.

1.e When equity interest in a company is liquidated by Seawolf Holdings, LLC, on behalf of the University, the net proceeds are administered by the Vice Provost for Research and

Graduate Studies to promote research and technology transfer across the entire University. Net is defined in Section 2.

2. Definitions

- **Company** means a corporation, limited liability company, limited partnership or other similar for-profit business entity issuing or transferring Equity Securities.

- **Distribution** means a net distribution after payment of all applicable Costs of: Cash; a Marketable Security; and/or other proceeds of a Liquidation.

- **Equity Security** means any common stock, membership interest, or other equity security (including any security convertible into any equity security such as an option, warrant, or other convertible security) or other similar right to share in the profits of a business received by Seawolf Holdings in connection with the transfer or license to a Company of Intellectual Property Rights, including any accrued dividends thereon.

- **Founder/Co-Founder** means any person(s) including university employees who participates in the creation, formation, initial fundraising, and initial management of a new business entity. A Founder or Co-Founder is eligible to receive Distributions.

- **Intellectual Property Right** means all forms of intellectual property rights including, without limitation, patents, trademarks, copyrights, trade secrets, know-how, and similar technology rights.

- **Liquidation** means the disposition by Seawolf Holdings of an Equity Security for cash or Marketable Securities, as described.

- **Marketable Security** means an Equity Security that may be freely traded without restriction on a public securities exchange or market.

- **Net:** To the extent not otherwise defined in Board of Regents Policy, University Regulations, or an applicable Collective Bargaining Agreement, net royalties or net proceeds shall be calculated as follows: what remains after the following expenses are paid to include but not limited to all direct and other expenses incurred and/or reserved by the University in connection with a Liquidation and management of Intellectual Property Rights (for example attorney fees, prototype testing, and validation), including a 20% overhead fee of which 10% is provided to the Office of Research and Graduate Studies (ORGS) for management of Intellectual Property Rights, and 10% to the unit(s) supporting the invention. This split is similar to that in the Royalty Distribution Policy.

- **Recipient** means any faculty member, researcher, inventor, employee, or other person having a relationship with the University pursuant to which such person is eligible under the University's policies to receive a Distribution.

- **SEC** means the U.S. Securities and Exchange Commission.

- **University** means the University of Alaska Anchorage, including its various campuses, schools, departments, branches, divisions and units.

3. Distribution of Equity

3.a Summary—This section describes UAA's policies and procedures governing the disposition and distribution of equity interests received by Seawolf Holdings as the result of the commercial licensing or other transfer of University-developed intellectual property rights for commercial use. With the exception of persons who are Founders, the same persons eligible to share in patent royalties are also eligible to participate in a Distribution of equity interests received by Seawolf Holdings, but limited to only the portion of the sale that involved patent assets, to the extent that the amount realized by the University exceeds the University costs. Recipients shall have only the right to receive the net proceeds (if any) realized by Seawolf Holding from a Liquidation. In addition, under certain circumstances, the University may allow the Distribution of an equity interest prior to sale by the University. All Distributions of equity interests must be conducted in accordance with all applicable securities laws, the UAA Equity Distribution Policy, and with the portion addressing distribution to Recipients in accordance with University of Alaska Board of Regents (BOR) Policies and Procedures and the Collective Bargaining Unit (CBA). In addition, a Best Interests Finding and Conflict of Interest Management Plan may need to be in place before an employee may by a Recipient or Founder.

3.b Recipient: Except as provided herein, an inventor or similar person may be a Recipient. Equity received by Seawolf Holdings as a result of licensing will be distributed to the Recipients for the portion of the liquidity event that pertains to patents.

A Recipient shall be eligible to receive the same percentage of a Net Distribution (if any) as the percentage specified for inventors in the Board of Regents Policy, University Regulations, or Collective Bargaining Agreement. Net royalties or net proceeds shall be calculated as presented in the UAA Royalty Distribution Policy. In the event more than one Recipient is eligible to receive a particular Distribution, such share shall be divided in accordance with any applicable written agreement signed by all of the Recipients, or lacking any such agreement, in accordance with BOR policies and procedures, the CBA and UAA Equity Distribution Policy.

3.c Founder/Co-Founder equity is not held, managed, disposed of, or distributed by the University (see 1.c above). As such, any person who is a Founder/Co-Founder of a company shall not be eligible to receive and shall be deemed to have waived all rights to receive equity or the proceeds of equity accepted *on behalf of the University by Seawolf Holdings, LLC,* with respect to a license to the company of which he or she is a Founder. In such case, their portion will be given to ORGS for reinvestment into research. If there are no non-founding inventors, then the inventor share shall be given to the ORGS for investment in research leading to IP or development of a prototype.

3.d Once the Recipients receive their distribution, the College or School and Department (or other comparable University organizational unit that has participated) shall receive the same percentage of a Distribution (if any) as the percentage specified for such units in the UAA Royalty Distribution Policy. Such share shall be distributed to the unit or units in which the research or other activities giving rise to the applicable Intellectual Property Rights or leading to the validation of a prototype for a commercializable product were performed or provided support. Other activities can include but are not limited to: prototype testing, validation, or verification which led to a commercializable product. These units also share in the 20% overhead prior to net, as per the UAA Royalty Distribution Policy, which follows:

- For the first $10,000 of Royalties, 100% of net royalties to the Inventor(s). If more than one inventor, then the royalty is split evenly among the inventors.
- After royalties exceed $10,000, then 50% of net royalties will be paid to the Inventor(s), and;
- Of the remaining 50%:
    - 20% to the College or School of the Inventor(s); if multiple inventors at different Colleges or Schools, then the percent will be evenly split;
    - 20% to the Department of the inventor(s); if multiple inventors are in different departments, then the percent will be evenly split among the departments;
    - If the inventor is not associated with a College or School who pays their salary, then the total 40% will be provided to the Institute or Center or Administrative Organization that pays their salary.
    - 10% is allocated to the Office of the Provost.
    - The remaining 50% is allocated to the Office of the Vice Provost for Research to support University research and invention.

3.e Recipients, including prospective Recipients, shall have no rights to participate in the management of Equity Securities, and in particular, shall have no right to approve, consent to, or receive notice of any securities transactions.

3.f Prior to any Distribution, Seawolf Holdings, LLC, on behalf of UAA shall be considered the sole legal and beneficial owner of and shall have the sole right and authority to manage all Equity Securities.

3.g After a liquidity event, Seawolf Holdings, LLC, shall distribute equity or cash proceeds, upon conversion of equity to cash, to the VPRGS for further distribution in accordance with the BOR Policies and Procedures, the CBA, and the UAA Equity Distribution Policy.

4. Additional Considerations

4.a Equity in a UAA start-up company shall be distributed as follows:

- Seawolf Holdings, LLC, on behalf of UAA – 40% (Preferred Shares).
- The Founder(s) (as defined in Section 2) – 50% (Common Shares). However, if the inventor chooses to be an active founder, they will be eligible for preferred shares. Also, this is subject to a vesting policy.

- Directors/Future Management/Employees – subject to vesting policy – 10%.

4.b In the case of participation by outside investors, all equity held as per 4.a will be diluted equally.

4.c In the case of a liquidity event, equity will be distributed within 90 days after the University receives the proceeds from Seawolf Holdings, LLC.

4.d The University reserves the right to modify this policy.